



Hematology
is in our blood



Boule Diagnostics AB

Company presentation, Q1 report 2019

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About Boule – a growth company specializing in near patient diagnostics

- Founded in 1996
- The company develops, manufactures and sells complete blood cell counting (CBC) systems
- Business model
 - Boule sells CBC systems in the global decentralized hematology market
 - The instruments are designed and optimized for proprietary consumables (reagents, controls, calibrators) and combined with service/support ensuring quality and accurate analysis results as well as recurring revenue over the life of the instruments
 - The systems are used both for human and animal diagnostics
- Listed on Nasdaq Stockholm since 2011



The Boule offer – a growing portfolio



Swelab Alfa Plus,
Medonic M-series M32
Human diagnostics
3-part system



Swelab Lumi,
Medonic M51, Quintus
Human diagnostics
5-part system



Exigo H400
Veterinary
diagnostics
4-part systems



Exigo C200
Veterinary clinical
chemistry analyzer



Spinit
NPA
(Near-patient
analysis)



Tied consumables for
proprietary instruments



Consumables for
OEM customers



Open consumables for other
manufacturers' open systems



Reagents



Blood controls and
calibrators



Cleaning products



Q1 2019 in summary: starting the year with strong growth

HIGHLIGHTS Q1

NET SALES

SEK 118.6 million

YoY GROWTH

19.3%

GROSS MARGIN

45.6%

EBIT-MARGIN

14.1%

CASH FLOW Q1

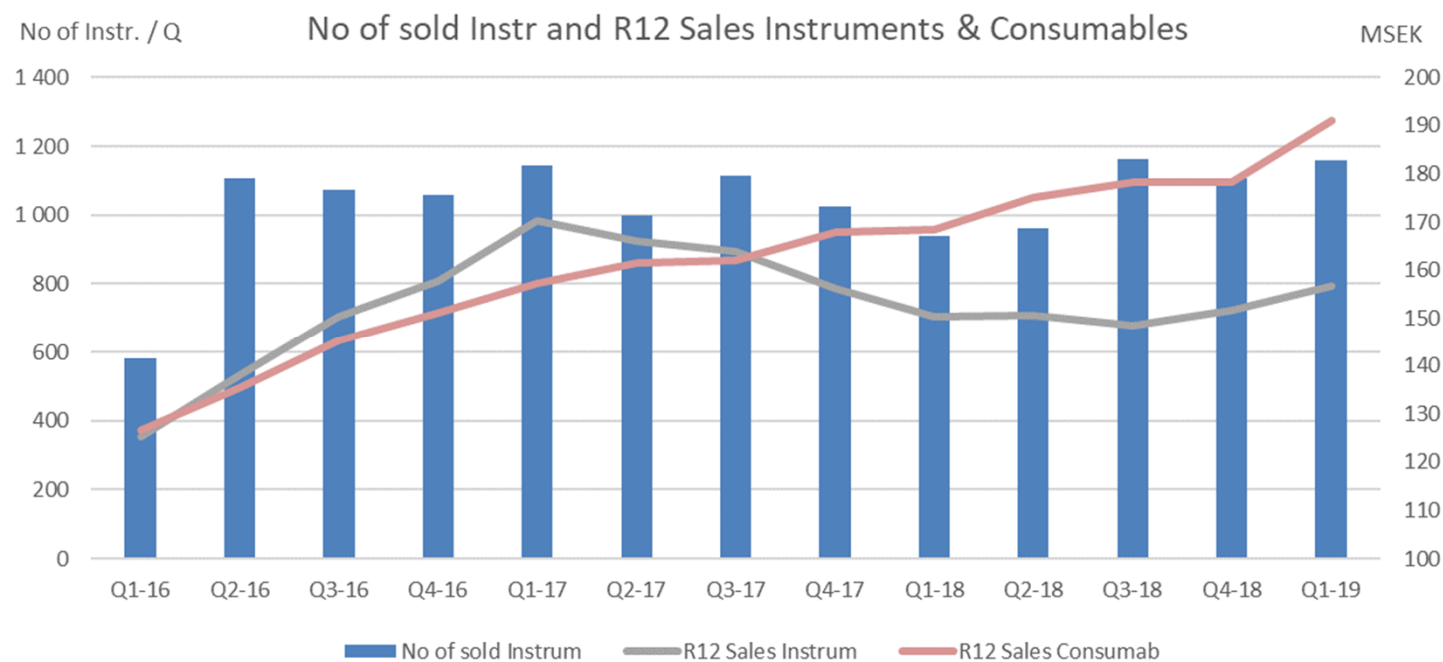
SEK -13.8 million

Starting the year with strong growth

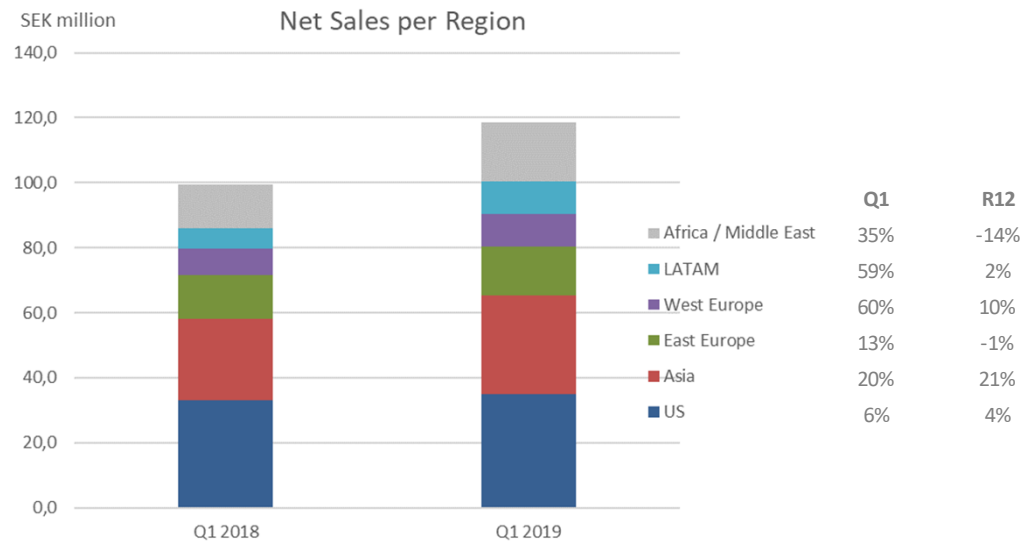
- Net sales was SEK 118.6 million, a new all-time high. This corresponds to a growth of 19.3% compared to the first quarter in 2018. Adjusted for exchange rates the growth was 11.5%
- Instrument unit sales increased by 23% to 1 159 (940) and instrument revenues increased by 14%. Instrument sales in Asia remained strong, further building market position and installed base, but also impacting average selling prices and gross margin to some extent
- Consumable sales for own instruments increased by 32%
- Gross margin was 45.6% (46.8%), impacted by region mix with high instrument sale to Asia, and India in particular.
- S&M expenses have increased during 2018 due to strengthening of the organization and R&D cost have increased in line with the investments in the development of the next generation hematology system. Expenses are lower than previous quarter, but higher than Q1 2018.
- EBIT margin was 14.1% (18.9%). EBIT margin excluding capitalized R&D was 6.1% (13.4%).
- Cash flow from operating activities was SEK -4.9 million (6.3) as a result of corporate tax payment of 10.3 million related to previous years when preliminary tax payments was too low and increased inventory levels of 3.4 million due to expanded product portfolio



Number of instruments sold and revenue trend

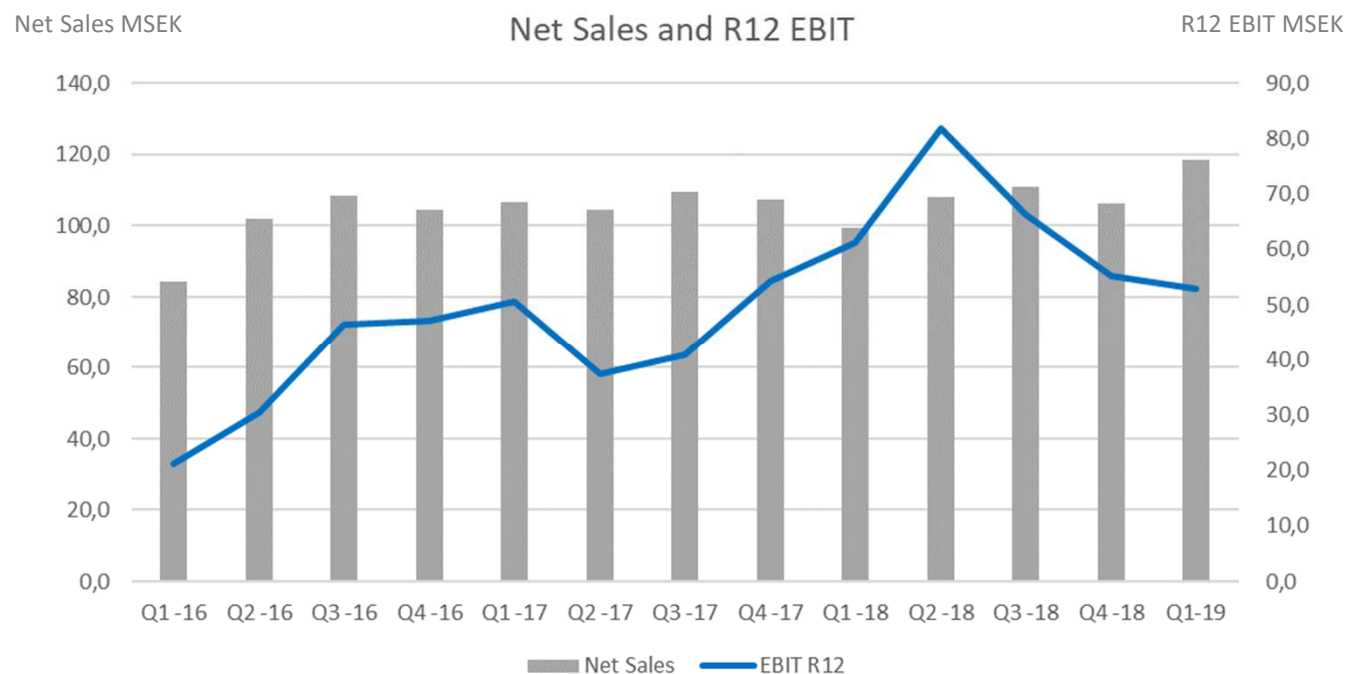


Overview of sales by region



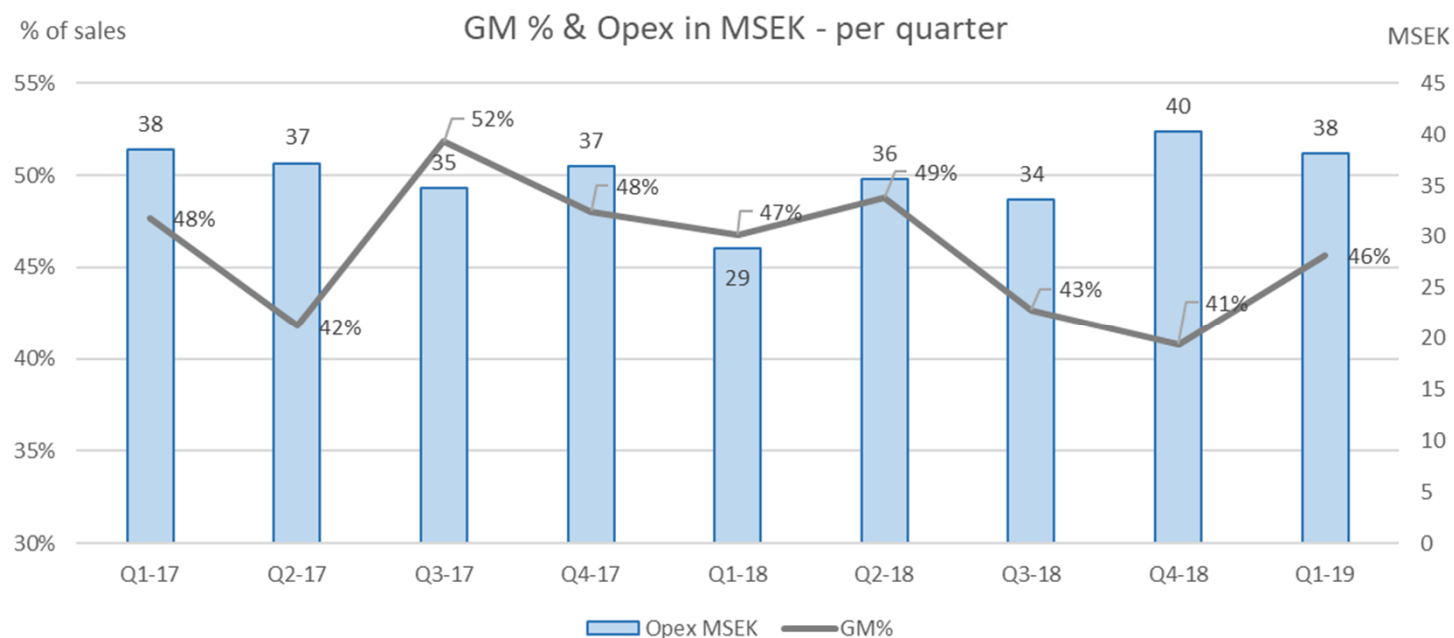
- Strong revenue growth in all regions in Q1
- US sales was impacted positively by currency and was -6% in constant currencies, negatively impacted by OEM and CDS. Growth in Boule Systems (own instrument and own consumables) was -1% in fixed currencies.
- Asia is growing in importance. Growth in Q1 was driven by strong instrument sales
- Sales of veterinary products continued to develop in a favorable way, especially in West Europe
- Broadening the product portfolio provided positive impact in LATAM in particular, with combined sales of 3- and 5-part systems

Net Sales and EBIT R12 per quarter



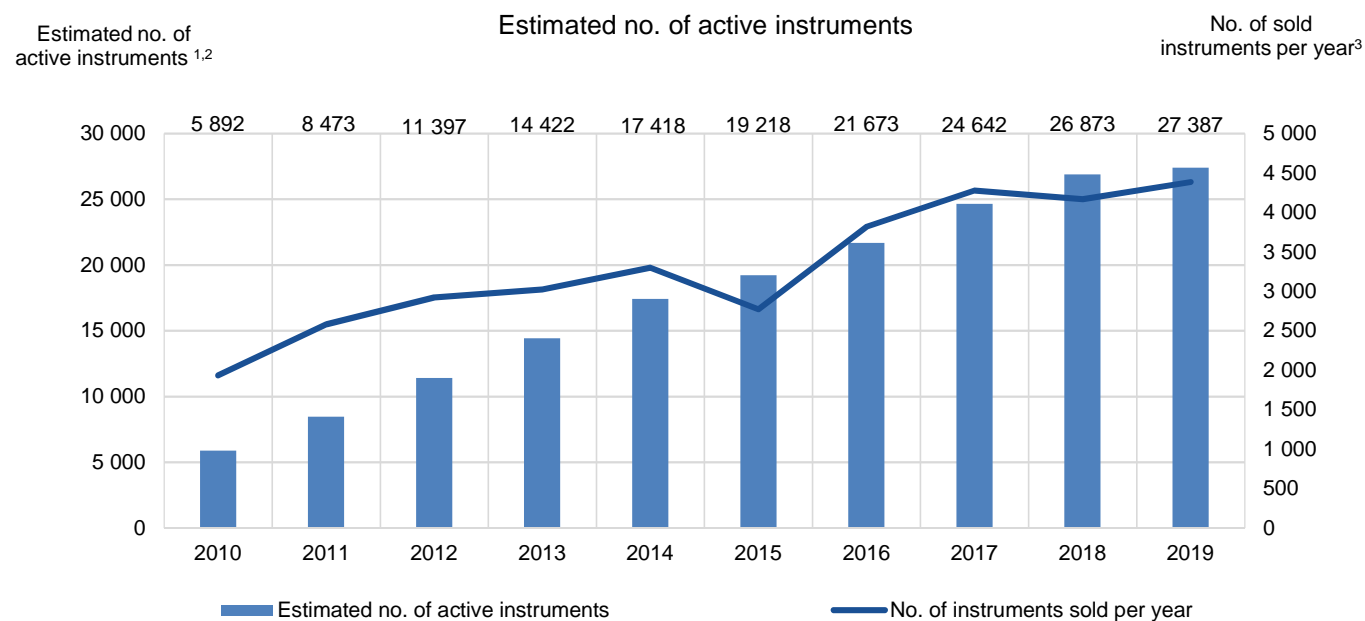
- Strong growth in all regions in Q1 2019
- Profitability trend impacted by low gross margins due to high instrument sales to low margin countries in Q3 and Q4, and gradual increases in investments in quality and commercial resources as well as R&D during 2018

Gross margin improved vs previous quarters, OPEX in line with previous quarters



- Low gross margins in Q3 and Q4 2018 due to low ASP deliveries towards the large tender in India and by non-recurring costs in Q4
- Gradual strengthening of commercial and R&D resource to drive future growth. The comparison period last year was unusual low

Estimated number of active instruments



- 1) Estimated number of instruments installed is based on an estimated life-span of eight years for the instruments.
- 2) Accumulated number of instruments sold is per March 31, 2019 was 33,924.
- 3) Number of instruments sold 2019 is presented as rolling twelve months.



Progressing with quality system improvements

Background

- Boule Diagnostics takes compliance with regulations very seriously, and this matter has the highest priority in the company
- Boule products are known for high quality, and the high quality of current and future products is ensured through rigorous quality assurance processes.
- The work to diligently follow and develop the quality assurance processes involves the entire organization as well as external parties.

Progress update

- The work on the action plan to improve quality systems and to meet the FDA's requirements progresses according to the timetable, and most of the process improvements have been implemented.
- The action plan is expected to be completed during the third quarter of 2019 and Boule has also established a dialogue with the FDA regarding next steps in the process.
- The quality processes have been further improved and developed, which was confirmed by good results from external audits during the fourth quarter 2018 as well as during 2019.

Key activities during Q1

Evolving commercial activities

- In Eastern Europe Boule has taken action to strengthening local presence and to evolve and improve the distributor network
- In the US market Boule have entered into a Preferred Vendor status with the largest medical surgical distributor in the U.S. The Preferred Vendor agreement is effective as of April 1, 2019
- A new major distributor partner in the US has been brought on that concentrates on the larger health network market to help address the decentralization trends in lab testing
- Boule has been building the commercial resources to develop stronger scientific, clinical and health economics messaging and communication, and to drive more regional marketing and education activities.
- In the recent months, Boule has been present at industry conferences in Middle East and South East Asia, and hosted education events in Asia and LATAM

Product launches

- Significant efforts have been dedicated to the launch of the two new 5-part systems, veterinary business, and successfully addressing the issues with the Quintus system.
- Increased commercial focus will now be directed towards the CellaVision DC 1 and biosurfit spinit products



Future challenges and opportunities for Boule Diagnostics

Challenges











- Fragmented, competitive market
- Some fast growing markets (India in particular) have low price levels
- Important to deliver relevant product development to market in a timely manner
- Volatility caused by tenders and market specific variations
 - quarter to quarter revenue variability
 - Instrument sales increase revenue but reduce gross margin
- Volatility caused by currency fluctuations
- Higher regulatory compliance requirements

Opportunities

- Veterinary market
- Improvements in manufacturing efficiency and structure
- Leverage broader product portfolio to increase growth
- More regional/local presence to improve customer experience (service, product specialists, etc.)
- Launching new products based on our reliable technologies
- Continued growth in emerging markets
- In developed markets focus on near-patient care to reduce healthcare cost and improve patient convenience
- Higher regulatory compliance requirements



Key revenue and margin drivers in 2019

Driver	Revenue growth impact	Gross margin % impact	Comment
Veterinary market			<ul style="list-style-type: none"> • Growth potential • Good margins
Distributed products			<ul style="list-style-type: none"> • Strengthening portfolio and distributor network • Driving core product growth too (combined tenders, etc.)
Developing distributor network, strengthening local presence			<ul style="list-style-type: none"> • Access to new markets • Increased value selling • Better support for distributors and end customers
Increased importance of emerging markets			<ul style="list-style-type: none"> • Lower instrument prices in some markets (India) • Lower reagent consumption at early stage and in some markets
Cost reduction efforts, including regional manufacturing			<ul style="list-style-type: none"> • Process efficiency improvements • Redesign for cost reduction • Strengthening competitive position, reducing logistics cost

Thank you!